



PSC NEWS

Missouri Public Service Commission

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PSC DETERMINES EFFECTIVE COMPETITION DOES NOT CURRENTLY EXIST IN MOST SOUTHWESTERN BELL TELEPHONE EXCHANGES IN MISSOURI

Jefferson City (January 4, 2002)---Effective telephone competition for residential customers does not currently exist in the vast majority of Southwestern Bell Telephone Company's exchanges in Missouri. As a result, the Missouri Public Service Commission has determined that Southwestern Bell Telephone Company should not be given "competitive" status and additional pricing flexibility in those exchanges. Southwestern Bell will remain, for the most part, a price cap regulated company in Missouri. Under "competitive" status, Southwestern Bell Telephone Company would have been able to raise their rates on 10 days notice to the Commission and affected customers.

The Commission, in its decision, has determined that intraLATA long-distance service is a competitive offering in all of Southwestern Bell's exchanges and as a result, Southwestern Bell will have the ability to raise their rates, if they choose to do so, on 10 days notice to the Commission and affected customers. IntraLATA long-distance is a long-distance call which originates and terminates within a LATA (Local Access Transport Area) in Missouri. There are four LATAs in Missouri (417 area code, the 314, 573 and 636 area codes, 816 and 660 area codes and the Jefferson City-Columbia market area). An example of an intraLATA call would be a call from St. Louis to Cape Girardeau or a call from Kansas City to Maryville.

"Competitive" status has been granted for various telephone services for business customers in the Kansas City and St. Louis exchanges as well as for residential customers in the Harvester and St. Charles exchanges.

The Commission has determined, based upon a thorough review of the evidence in this case, that "competitive" status will be granted to Southwestern Bell Telephone Company for basic local telephone services, line-related or vertical services (such as call waiting, call forwarding, caller I.D.) for business customers in the Kansas City and St. Louis exchanges. In addition, directory assistance services for business customers of Southwestern Bell in the Kansas City and St. Louis exchanges will be given "competitive" status.

The Commission stated in its order: "The Commission finds that Southwestern Bell has experienced a substantial market share loss in the St. Louis and Kansas City exchanges for core business services. This market share loss is due to alternative providers providing substitutable or functionally equivalent services to Southwestern Bell's core business switched services in these exchanges."

The Commission further noted: "The Commission finds that market share alone is not determinative of this issue. However, when market share is considered in conjunction

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with the evidence of the number of carriers, including resellers, actually providing both resale and facilities-based service in the exchanges, the overwhelming number of carriers certified to do business in the St. Louis and Kansas City exchanges, the comparative longevity of the companies doing business, and CLEC-owned fiber networks, the Commission determines that effective competition exists in those two exchanges.”

The Commission determined that sufficient competition exists in the **Harvester** and **St. Charles exchanges** to grant Southwestern Bell Telephone Company “competitive” status for residential basic monthly telephone service, vertical services and custom calling features, as well as directory assistance services. In addition, the Commission determined that Southwestern Bell’s optional Metropolitan Calling Area (MCA) service in the Harvester and St. Charles exchanges face effective competition and should be granted “competitive” status.

The Commission noted in its order that: “....with the exception of two exchanges, alternative local exchange telecommunications companies are providing less than a substantial percentage of the residential local service in each Southwestern Bell exchange. Also, the majority of the service being provided in these areas is not CLEC-owned facilities-based service.”

Under price cap regulation, Southwestern Bell Telephone Company’s maximum price for basic local telecommunications service can increase or decrease annually according to two relatively conservative government price indexes, which are based on the prices of telephone service throughout the country.

Under price cap regulation, Southwestern Bell Telephone Company reduced the basic monthly telephone rates for one-party residential and business customers in November of 2000 and then again in November of 2001.

In 1996, the Missouri Legislature passed and the Governor signed a bill (Senate Bill 507) which granted pricing flexibility (called price cap regulation) to certain telephone companies such as Southwestern Bell Telephone Company, if those companies could demonstrate that an alternative local telephone company was providing basic local telephone service in its service territory.

Under state law, the Missouri Public Service Commission is required to open a case and review the state of competition no later than 5 years following the first certification of an alternative provider. Because alternative local exchange telecommunications companies are currently certified in every exchange in which Southwestern Bell operates, the Commission established this case to review the status of competition in all of Southwestern Bell’s exchanges.

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